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Fruit and Vegetables - EU Subsidies

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Report Highlights:

This report gives an overview of EU subsidy programs for fruits and vegetables.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

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Fruit and Vegetables - EU Subsidies

Producer Organizations & Operational Programs

Producer organizations (PO's) are the key elements in the EU's Common Market Organization (CMO) for fruit and vegetables. The CMO covers all fresh produce grown in the EU with the exception of potatoes, sweet corn, beans & peas for fodder, olives, wine grapes and bananas. Member states recognize PO's based on a minimum number of producers and a minimum turnover. PO's can be recognized for marketing products falling within one of the seven following categories: fruit & vegetables, fruit, vegetables, products intended for processing, citrus, nuts and mushrooms. EU subsidies for fruit and vegetables are not paid to individual farmers but are channeled through the PO's. Only 40 percent of the entire EU fruit and vegetable production is marketed through PO's and the number of PO's varies significantly among member states.

In order to qualify for EU subsidies, PO's must submit an operational program to the competent member state authorities. Operational programs must comply with EU requirements and objectives such as supply and price management, marketing programs, quality improvement and promoting environment-friendly methods. Operational programs must run for at least three years and for maximum five years. They must be financed by an operational fund, an account set up by the PO to hold contributions from its members based on the volume or value of products for which the PO was recognized. The EU's financial contribution is paid directly into the PO's operational fund at the rate of 50 percent of the PO's actual expenditure or 4.1 percent of the value of marketed production whichever is lowest.

Producer Organizations with an operational program			
	1998	1999	2000
Number of PO's with an operational program	845	1,008	1,120
Value of production marketed by PO's with an operational program (in million Euros)	9,974	11,310	12,186
Aid requested (in million Euros)	312	423	436
Aid granted (in million Euros)	238	311	321

Source: European Commission

Intervention

Producer members of PO's may benefit from EU withdrawal compensation for 16 products: cauliflowers, tomatoes, aubergines, apricots, peaches, nectarines, lemons, pears, table grapes, apples, satsumas, mandarins, clementines, oranges, melons and watermelons. Compensation is only paid for produce conforming to at least class II of the marketing standards in force (except for tomatoes). The volume of products eligible for intervention is limited to 5 percent for citrus, 8.5 percent for apples and pears and 10 percent for melons and others of the PO's marketed quantity. A PO can also use its operational fund to top up EU withdrawal payments or to pay

withdrawal compensation for other products than the 16 mentioned above but only if they are covered by a marketing standard. A complete list of products covered by a EU marketing standard can be found on our website at www.useu.be/agri/Fruit-Veg.html. Since the start of marketing year 2002/03, intervention prices were fixed as follows:

EU withdrawal compensation (Euro/100 kg) - Regulation 2200/96			
Cauliflowers	7.01	Aubergines	3.97
Tomatoes	4.83	Melons	4.00
Apples	8.81	Watermelons	4.00
Grapes	8.02	Oranges	14.00
Apricots	14.17	Mandarins	13.00
Nectarines	13.04	Clementines	13.00
Peaches	10.99	Satsumas	13.00
Pears	8.39	Lemons	13.00

EU withdrawal compensation (in million Euros)					
Actual Expenditure				Appropriations	
1998	1999	2000	2001	2002	2003
138.3	90.6	169.2	117.2	143	134

Source: EU 2000, 2001, 2002 and 2003 Budget

EU withdrawal compensation - 2001 Expenditure by member state (in million Euros)									
Belgium	Germany	Greece	Spain	France	Italy	Netherlands	Portugal	U.K.	Total
4.3	1.4	31.4	37	16.2	21.9	3.2	0.8	1	117.2

Source: EU Financial Report 2001

Export Refunds

Export subsidies are available for tomatoes, apples, oranges, lemons, table grapes, peaches & nectarines, nuts and processed cherries, peeled tomatoes, mixtures of nuts and orange juice. Export refunds are reported as an aggregate "fresh fruit and vegetables and "processed fruit and vegetables" which makes it impossible to determine what amount was paid per product.

EU Export Refunds for Fruit & Vegetables - Actual Expenditure (million Euros)			
	1999	2000	2001
Fresh fruit & vegetables	23.2	32.8	36.1
Processed fruit & vegetables	17.3	13.3	14.8
Total	40.5	46.1	50.9

European Commission - Financial Report 2001

EU Export Refunds for Fruit & Vegetables 2001 - by member state (million Euros)			
	Fresh	Processed	Total
Belgium	1.4	0.7	2.1
Denmark	0	0	0
Germany	0.1	1.3	1.4
Greece	14.4	2.7	17.1
Spain	15.5	3	18.5
France	1.6	1.8	3.4
Ireland	-	0	0
Italy	2.9	3.8	6.7
Luxembourg	-	-	-
Netherlands	0.1	1.2	1.3
Austria	0	-	0
Portugal	-	0.1	0.1
Finland	-	-	-
Sweden	0	0.2	0.2
U.K.	0	0	0
Total	36.1	14.8	50.9

Source: European Commission - Financial Report 2001

Nuts

A ten-year improvement program for nuts entered into force in 1990. Several of the action plans approved under this program ended in 2000 but under pressure from Spain, the Commission extended EU financial assistance for two years in a row. Although the fruit and vegetable sector

is not a part of the CAP reform, the Mid-Term Review proposes to replace the current system by an annual flat rate payment of 100 Euros per hectare granted for a maximum guaranteed area of 800,000 hectares divided into national guaranteed areas. This could be topped up by an annual maximum amount of 109 Euros per hectare by member states.

Processed Fruit and Vegetables

In December 2000, the EU amended the production aid rules for processed tomatoes and processed peaches and pears to bring them in line with the provisions which were already applicable to citrus fruit. Since the start of marketing year 2000/01, aid for fruit and vegetables intended for processing are paid directly to the PO's and no longer to the processors. The new rules had direct implications for the Canned Fruit Agreement as the new arrangements made the fixing of a minimum price obsolete. Amounts of aid under a threshold system: 34.5 Euros/MT for tomatoes, 47.7 Euros/MT for peaches, 161.7 Euros/MT for pears and 91-98 Euros/MT for citrus. The minimum price system was maintained for prunes, dried figs and dried grapes as well as the per hectare aid for dried grapes and the storage aid for dried grapes and figs.

Processed Fruit and Vegetables - EU financial aid (in million Euros)			
	Actual Expenditure 2001	Appropriations 2002	Appropriations 2003
Production aid for processed tomatoes	223	285	279
Production aid for fruit-based products	71	83	86
Production aid and intervention for dried grapes	113	127	112
Production aid for citrus fruits	170	231	249

Source: EU 2003 Budget

Other

Fruit and vegetable producers may be eligible for EU financial support under rural development programs. However, since these programs are non-product specific it is impossible to determine how much of the rural development budget goes to these producers. Fruit and vegetable growers may also benefit from member state aid measures, e.g. the greenhouse sector in the Netherlands (see TPMR's of the EU member states). The EU also grants financial support for the promotion of EU agricultural products, including fruit and vegetables, on the internal market and in third countries. Promotional measures are part-financed by the EU (50%), trade organizations (30%) and the member states (20%).

Total

Although fruit and vegetables covered by the CMO represent about 15 percent of the total EU agricultural production, only 4 percent of the total EU agricultural budget goes to the fruit and vegetable sector. As fruit and vegetable production is split between many products, it is not considered one of the important agricultural sectors. Additionally, the EU revision of the fruit and vegetable regime in 1996 was an attempt to tackle the abuse of the heavily criticized

withdrawal system and to make the CMO more market-oriented.

EU Fruit & Vegetable Budget - Actual Expenditure 1997-2001 (in million Euros)					
	1997	1998	1999	2000	2001
Total	1,555.3	1,509.5	1,454.1	1,551.3	1,558.0

Source: European Commission - Financial Report 2001

EU Fruit & Vegetable Budget - 2001 Expenditure by Member State (in million Euros)	
Belgium	36.9
Denmark	0.7
Germany	16.8
Greece	234.7
Spain	522.1
France	294.3
Ireland	2.0
Italy	348.2
Luxembourg	-
Netherlands	39.5
Austria	1.7
Portugal	42.2
Finland	0.1
Sweden	1.7
U.K.	17.0
Total	1558.0

Source: European Commission - Financial Report 2001

Related USEU reports:

Report Number	Title	Date released
E21058	EU Fruit & Vegetables Regime	5/2/2001
E23019	EU Promotional Measures in 3 rd countries	2/10/2003

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